

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

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APPROVED BY EB/OT/TA:WGBARRACLOUGH
STR - BWILSON
TREASURY - EGREENE
COMMERCE - KROE
EUR/NE - APINKNEY
EB/STA - WDIROLL

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R 291452Z APR 75
FM SECSTATE WASHDC
TO AMEMBASSY REYKJAVIK
INFO USMISSION EC BRUSSELS
USMISSION GENEVA
USDEL MTN GENEVA
USMISSION OECD PARIS

UNCLAS STATE 099265

TAGS: ETRD, IC, US
SUBJECT: PREPARATION FOR MTN: BASIS FOR ICELANDIC TARIFFS

REF: REYKJAVIK 0390

1. GIVEN THE CURRENT STATUS OF THE VALUATION QUESTION AS
SKETCHED OUT BELOW, THE USG IS UNLIKELY TO UNDERTAKE ANY
INITIATIVE IN THE MTN TO SEEK A SHIFT FROM CIF TO FOB
BASIS BY OTHER COUNTRIES. WHILE WE WILL CONTINUE TO SEEK
UNIFORMITY IN THE DEFINITION OF THE STANDARDS OF VALUE,
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THE INTERJECTION OF THE CIF-FOB DIFFERENCE INTO THIS
DISCUSSION WOULD BE FRUITLESS. THE U.S. WILL OF COURSE
CONTINUE TO ARGUE THAT THE USE OF FOB IS LESS DISCRIMINATORY
AND A BENEFIT TO OUR TRADING PARTNERS WHICH MUST BE TAKEN

INTO ACCOUNT IN ANY ADJUSTMENTS WE MIGHT MAKE TOWARD A
STANDARDIZED VALUATION SYSTEM.

2. FYI. CUSTOMS VALUATION WILL BE THE FIRST ISSUE TAKEN
UP FOR DISCUSSION BY THE NON-TARIFF MEASURES SUBGROUP ON
CUSTOMS MATTERS AT ITS INITIAL MEETING IN GENEVA MAY 19-30.
FOCUS OF THE MEETING WILL BE ON THE LONGSTANDING EFFORT TO
DEVELOP AN INTERNATIONAL STANDARDIZED VALUATION SYSTEM.

3. AT PRESENT HOW WELL THE VALUATION SYSTEMS EMPLOYED BY
THE CPS CONFORM TO THE PRINCIPLES OF ARTICLE VII OF THE
GATT IS THE SUBJECT OF DEBATE. MUCH OF THE PROBLEM STEMS
FROM AMBIGUITIES IN THE TERMS USED IN ARTICLE VII. THE
FOB-CIF ISSUE IS ONE OF THE UNRESOLVED DIFFERENCES
ALTHOUGH BOTH BASES ARE ALLOWABLE UNDER ARTICLE VII.

4. THE MAJORITY OF GATT CPS MAINTAIN CUSTOMS VALUATION
SYSTEMS BASED ON THE BRUSSELS DEFINITION OF VALUE (BDV)
AS DEFINED IN THE CONVENTION ON THE VALUATION OF GOODS FOR
CUSTOMS PURPOSES UNDER THE AEGIS OF THE CUSTOMS COOPERATION
COUNCIL. THE CPS TO THE BDV ARE STILL REQUIRED TO USE
CIF RATHER THAN FOB VALUES. ICELAND, WHILE NOT A
CONTRACTING PARTY TO THE BDV, DOES FOLLOW THE GUIDELINES
OF THE BDV IN EMPLOYING THE CIF BASIS. IN FACT THE ONLY
MAJOR COUNTRIES FOLLOWING THE FOB PRINCIPLE ARE THE U.S.,
CANADA, AUSTRALIA, NEW ZEALAND AND SOUTH AFRICA.

5. IN JUNE 1974 THE CUSTOMS COOPERATION COUNCIL RECOM-
MENDED THE AMENDMENT OF THE CONVENTION ON THE VALUATION
OF GOODS FOR CUSTOMS PURPOSES TO PERMIT FUTURE CPS TO
ACCEDE TO THE BDV ON AN FOB BASIS. RATIFICATION OF THIS
AMENDMENT IS SUPPORTED BY THE U.S.

6. THE DEPARTMENT APPRECIATES THE EMBASSY'S THOUGHTS ON
SUCH MTN ISSUES AND ENCOURAGES FURTHER SUGGESTIONS EVEN
IF WE CANNOT BE MORE ENCOURAGING IN OUR REPLY IN THIS
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